

Message Text

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FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC IMMEDIATE 3806

C O N F I D E N T I A L SAN SALVADOR 1424

LIMDIS

FOR LUERS FROM THE CHARGE

E.O. 11652: GDS

TAGS: ASIG, ES, AIFLD

SUBJECT: AIFLD VISIT TO INVESTIGATE ALLEGED MISHANDLING OF
UCS FUNDS

REF: STATE 61212

1. AIFLD TEAM OF HADDAD, HAMMER AND MAYER SPENT MARCH 21-22
IN EL SALVADOR CARRYING OUT INQUIRY STEMMING FROM CHARGES OF
APPARENT MISHANDLING OF USG FUNDS BY THE UCS (AS DESCRIBED
REFTEL). THE AIFLD TEAM FIRST BRIEFED ME AND MEMBERS OF THE STAFF
ON THE NATURE OF THE ALLEGATIONS AND EVIDENCE, AND WERE IN TURN
MADE AWARE OF THE CURRENT POLITICAL SITUATION AS IT PERTAINS TO
THE UCS AND TITO CASTRO.

2. AT THIS FIRST MEETING WE DISCOVERED THAT THE NATURE OF THE
CHARGES, AND THE EVIDENCE, WERE OF A SUBSTANTIALLY LESSER DEGREE
OF EXACTNESS AND SERIOUSNESS THAN THE REFTTEL HAD COMMUNICATED.
ALL AGREED THAT THE TEAM HAD TO: PROCEED ALONG THE LINES OUT-
LINED SENTENCE 3, PARA 3 REFTTEL; NEVERTHELESS BE EXTREMELY CAREFUL
NOT TO DAMAGE THE ORGANIZATION OR WORKING RELATIONSHIPS WITH
INDIVIDUALS WITHIN NOT GUILTY OF MISUSE OF USG FUNDS. THE AIFLD
TEAM EXPLAINED THAT ITS PRINCIPAL OBJECTIVE WAS TO DETERMINE
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WHETHER OR NOT FUNDS HAD BEEN DIVERTED TO PERSONAL USE. THEY
EXPLAINED THAT THE DIVERSION OF MONIES FROM ONE UCS PROGRAM TO
ANOTHER EQUALLY BENEFICIAL USE WOULD NOT DISTURB THEM.

3. AFTER IN-HOUSE DISCUSSION, THE AIFLD TEAM DECIDED TO FIRST
APPROACH THE UCS IN THE PERSON OF MIKE HAMMER, THOROUGHLY FAMILIAR
WITH ALL THE PERSONALITIES AND ISSUES INVOLVED. HAMMER SPENT MOST
OF MONDAY AFTERNOON WITH CASTRO, AND THE NATIONAL EXECUTIVE
COMMITTEE. THAT EVENING CASTRO SPOKE WITH HADDAD AND MAYER AS
WELL. THE FOLLOWING
DAY THE ENTIRE TEAM VISITED UCS HEADQUARTERS

AND MET WITH CASTRO, MEMBERS OF THE CEN, THE ACCOUNTANT, STAFFMAN CAMACHO (WHO HAD PROVIDED MANY OF THE ALLEGATIONS) AND A PCV INVOLVED WITH THE UCS BOOKS.

4. HADDAD, MAYER AND HAMMER FINISHED THEIR INVESTIGATION AND RETURNED TO A SECOND MEETING WITH ME ON THE AFTERNOON OF MARCH 22. ESSENTIALLY, ALL THREE WERE SATISFIED THAT THERE HAD BEEN NO RPT NO DIVERSION OF FUNDS TO PERSONAL USE. THERE WAS EVIDENCE OF IMPROPER RECEIPTING TO DIVERT FUNDS FROM ONE LEGITIMATE USE TO ANOTHER, IN SOME CASES OCCASIONED BY A MISUNDERSTANDING EMANATING FROM THE AIFLD REGIONAL ACCOUNTANT IN GUATEMALA, AND IN OTHERS BY UCS ATTEMPTS TO SCRIMP SCARCE FUNDS IN ONE CATEGORY AND STRETCH THEM BY USE IN ANOTHER. THEY DETERMINED THAT THERE WAS NO RPT NO EVIDENCE OF IMPROPER ACTIVITIES BY TITO CASTRO, BEYOND AN ADMITTED IMPROVISATIONAL APPROACH TO ADMINISTRATION, NEVER HIS STRONG SUIT.

5. THE AIFLD TEAM EXPLAINED TO CASTRO, AND THE REST OF THE LEADERSHIP, THAT USG MONIES WERE ADVANCED ON THE UNDERSTANDING AND LEGAL REQUIREMENT THAT THEY BE ADMINISTERED IN A PROFESSIONAL AND SYSTEMATIC MANNER. THEY SAID THAT THE UCS HAD TO DEVELOP AND MAINTAIN THE MANAGEMENT CAPACITY FOR SUCH PROFESSIONALISM IF FUTURE FUNDING IS TO COME. CASTRO SAID HE TOTALLY AGREED. HE SAID THIS IS EXACTLY WHY HE HAD ASKED FOR THE JUST-ARRIVED COMPLEMENT OF EIGHT PCV'S, WHO ARE MOSTLY ACCOUNTANTS AND OTHER MANAGEMENT TYPES. HE IMMEDIATELY AGREED WITH A TEAM PROPOSAL TO HAVE AN AIFLD ACCOUNTANT COME IN ASAP TO TOTALLY CHECK THE BOOKS.

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6 COMMENT. THE EMBASSY AGREES WITH NECESSITY, SCOPE AND DIRECTION OF THE AIFLD PROBE. WE ALSO AGREE WITH, AND ARE RELIEVED, BY THE RESULTS. MANY EMBASSY ELEMENTS HAVE CONTACT WITH THE UCS AND CASTRO. GIVEN THE ORGANIZATION'S ALMOST 100 PERCENT CAMPESINO COMPOSITION IT IS NOT SURPRISING THAT ADMINISTRATION IS A NOT EASILY OVERCOME WEAKNESS. THE IMPORTANT THING IS THAT THE UCS WANTS TO ACQUIRE THE CAPACITY. IT WAS ALSO EVIDENT FROM THE VISIT THAT THERE ARE INTERNAL RIVALRIES AND JEALOUSIES WITHIN THE UCS LEADERSHIP, MOSTLY EMANATING FROM CAMACHO'S DESIRE TO TAKE OVER FROM CASTRO. THERE ARE INCREASING SIGNS THAT THE GOES HAS ITS EYE ON THE UCS, AND THAT CAMACHO MIGHT BE ITS VEHICLE TO TAKE OVER AND/OR NEUTRALIZE THE GROUP'S EFFECTIVENESS. WHILE VMQUNREE ENTIRELY WITH USG INSISTENCE ON PROPER MANAGEMENT OF OUR FUNDS, WE ALSO FEEL THAT THE COMPOSITION OF THE ORGANIZATION AND THE POLITICAL AMBIENT MUST BE TAKEN INTO CONSIDERATION WHEN DEALING WITH CHARGES SUCH AS THESE. I FEEL THE AIFLD TEAM DID A FINE JOB IN MOVING THROUGH THIS MINE FIELD.

FYI ONLY: STEMMING FROM THIS PROBE, I INTEND TO HOLD A BRIEFING FOR THE AMBASSADOR AND AID DIRECTOR SO THAT WE MAY REEVALUATE ALL AIFLD PROGRAMS AND MONIES IN COUNTRY, SINCE WE NOW REALIZE THERE ARE CERTAIN ASPECTS OF AIFLD PROGRAMS HERE ON WHICH WE HAVE NOT FOCUSED ADEQUATELY, SPECIFICALLY AIFLD SUPPORT OF ACTIVISTS AND NATURE OF AIFLD-CASTRO RELATIONSHIP. ALSO I BELIEVE WE MUST INSURE THAT EVEN THOUGH PROGRAM IS REGIONAL

THERE IS ADEQUATE CONTROL AND PROVISION FOR AUDIT. AID DIRECTOR
IS COMMUNICATING SEPARATELY WITH WEISSMAN TO CONFIRM WHAT HIS
RESPONSIBILITIES ARE VIS-A-VIS AIFLD'S REGIONAL
PROGRAM HERE. END FYI.
LUBENSKY

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